

PUBLIC DISCLOSURE

FEBRUARY 14, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LOWELL CO-OPERATIVE BANK

26467

18 HURD STREET
LOWELL, MA 01852

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act performance of **LOWELL CO-OPERATIVE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Lowell Co-operative Bank's overall CRA rating is based upon its performance under the five criteria contained herein. The following is a summary of the findings, presented in descending order of weight given to each criterion, that were utilized in formulating the Bank's overall CRA rating.

- Distribution of Credit among Different Income Levels

There was a reasonable distribution of residential mortgage lending to individuals of low and moderate-income, given the demographics of the Bank's assessment area.

- Geographic Distribution of Loans

A satisfactory penetration of residential mortgage lending to the low and moderate-income census tracts in the Bank's assessment area was observed.

- Comparison of Credit Extended Inside and Outside of the Assessment Area(s)

An adequate number of its residential mortgage lending is inside the Bank's assessment area.

- Loan to Deposit Analysis

A reasonable level of net loan to deposit ratios reviewed over an eight quarter period was recorded.

- Review of Complaints/Fair Lending Policies and Practices

Fair lending policies and practices are considered reasonable. No weight was given to a review of complaints, as none have been received since the prior examination.

PERFORMANCE CONTEXT

Description of Institution

Lowell Co-operative Bank is a mutually-owned institution, incorporated under the laws of the Commonwealth of Massachusetts in 1885.

As of December 31, 2004, the Bank had \$106,343,000 in total assets. Of these total assets, \$62,995,000 or 59.2 percent were in the form of loans (net). The following table depicts Lowell Co-operative Bank's loan portfolio composition based on its December 2004 Federal Deposit Insurance Corporation ("FDIC") Quarterly Call Report.

Lowell Co-operative Bank's Loan Portfolio as of December 31, 2004	
Type of Loans	% of Total Loans
Construction & Land Development	30.6
Residential Real Estate	
a. 1-4 Family Mortgages	39.2
b. Home Equity Lines (includes second mortgages)	7.6
Multifamily	11.4
Commercial Loans	
a. Commercial Real Estate	7.0
b. Commercial & Industrial Loans	0.0
Consumer Loans	
a. Credit Cards & Related Plans	4.2
b. Loans to Individuals/Other Loans	
Total Loans	100.0

Source: FDIC Call Report, 12/31/04

As indicated, overall residential real estate lending represents the majority of the Bank's portfolio at 88.8 percent. The second largest segment of the loan portfolio is overall commercial lending at 7.0 percent.

Lowell Co-operative Bank operates two office locations. Its main office is located on Hurd Street and a branch office is located on Rogers Street, both in Lowell. The Rogers Street location was opened in April 2004.

There appears to be no legal or regulatory impediments that would affect Lowell Co-operative Bank from meeting the needs of its community. The FDIC conducted the previous CRA evaluation as of February 27, 2001. That examination resulted in a "Satisfactory" rating. The Division conducted the previous CRA evaluation as of April 7, 2000. That examination also resulted in a "Satisfactory" rating.

PERFORMANCE CONTEXT (CONTINUED)

Description of Assessment Area

Lowell Co-operative Bank's assessment area consists of the City of Lowell, and the towns of Dracut and Chelmsford. These communities are within the Lowell Metropolitan Statistical Area ("MSA"). The HUD estimated Median Family Income for the Lowell MSA was \$79,700 in 2003. In 2004, the Office of Management and Budget redefined the MSAs statewide. Currently, the MSAs are comprised of whole counties. Lowell Co-operative Bank's assessment area now falls with the Cambridge/Newton/Framingham MSA which essentially is Middlesex County. The HUD estimated Median Family Income for this MSA was \$88,600 for 2004.

Demographic and Economic Data

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. Because the MSAs were redefined in 2004, this affected some of the census tract income groupings in 2004. The following table reflects both the 2000 census data and the 2004 redefined MSA data of Lowell Co-operative Bank's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	2000 Census Data		2004 Redefined Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	8	21.1	10	26.3	25.0
Moderate	14	36.8	14	36.8	0.0
Middle	10	26.3	12	31.6	20.0
Upper	6	15.8	2	5.3	-66.7
Total	38	100.0	38	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

The following table reflects selected housing characteristics, based upon **2000** census data, for each of the census tract income groupings in Lowell Co-operative Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	21.1	13.6	13.9	4.0	26.8	21.1	100,982
Moderate	36.8	38.1	38.4	30.9	47.9	50.1	125,890
Middle	26.3	34.0	33.6	43.4	21.1	21.6	164,225
Upper	15.8	14.3	14.1	21.7	4.2	7.2	223,391
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	166,596

Source: U.S. Census

PERFORMANCE CONTEXT (CONTINUED)

Description of Assessment Area (Continued)

In addition, the following table reflects selected housing characteristics, based upon the 2004 redefined census data, for each of the census tract income groupings in Lowell Co-operative Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on the Redefined 2004 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Low	26.3	17.3	18.0	6.4	33.2	26.9	108,248
Moderate	36.8	39.1	39.3	34.3	45.4	48.0	128,248
Middle	31.6	39.6	39.2	53.3	21.1	24.2	175,871
Upper	5.3	4.0	3.5	6.0	0.3	0.9	256,233
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	147,776

Source: U.S. Census

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for residential mortgage lending performance purposes only, shows 355 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the Bank's assessment area (source: PCI Services, Inc., CRA Wiz). Total number of originations/purchases by these lenders in calendar year 2003 was 20,120. Lowell Co-operative Bank originated and/or purchased 37 residential mortgage loans for a market share ranking of 0.2 percent within its assessment area.

PERFORMANCE CRITERIA

1. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Based upon the subsequent analysis, Lowell Co-operative Bank's distribution of its residential mortgage lending within its assessment area to borrowers of different incomes is considered to be reasonable. Therefore, a "Meets Standards for Satisfactory Performance" rating is assigned.

Residential Mortgage Lending

An analysis of residential mortgage, Home Mortgage Disclosure Act ("HMDA") reportable lending extended within Lowell Co-operative Bank's assessment area, among various income levels for the period under review was performed. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar years 2003 and 2004. A HMDA reportable loan is defined as a home purchase loan (including originations, purchases, and refinances) as well as home improvement loans. Originations were categorized by the ratio of the applicant's reported incomes to the 2003 and 2004 estimated median family incomes of the appropriate MSA.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

An analysis of HMDA reportable lending extended to borrowers of various income levels contained within Lowell Co-operative Bank's assessment area was conducted. The following table presents the Bank's performance as well as the 2003 aggregate data (exclusive of Lowell Co-operative Bank) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of family households (per 2000 census data and the redefined 2004 census data) in each of the borrower income categories.

Refer to the following:

Distribution of Home Mortgage Loans by Borrower Income									
Median Family Income Level	% Total Family Households Per 2000 Census Data	2003 Aggregate Lending Data (% of #)	2003 Bank Data		% Total Family Households Per Redefined 2004 Census Data	2004 Bank Data		Total	
			#	%		#	%	#	%
Low	26.0	10.3	5	13.5	29.5	1	3.6	6	7.7
Moderate	20.8	25.4	9	24.3	23.3	9	32.1	18	26.9
Middle	23.5	27.6	3	8.1	22.7	1	3.6	4	7.7
Upper	29.7	20.4	20	54.1	24.5	10	35.7	30	39.7
NA	0.0	16.3	0	0.0	0.0	7	25.0	7	18.0
Total	100.0	100.0	37	100.0	100.0	28	100.0	65	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

PERFORMANCE CRITERIA (CONTINUED)

1. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (CONTINUED)

As indicated in the table, Lowell Co-operative Bank's percentage of lending to low-income borrowers is above that of the aggregate in 2003. However, the percentage of lending was well below the percentage of family households in that category. The Bank's percentage of lending to moderate-income borrowers fell slightly below that of the aggregate in 2003, but was above the percentage of family households in that category.

In 2004, the number of loans to low-income borrowers in Lowell Co-operative Bank's assessment area dropped off significantly. For that period, the number of loans declined by 80.0 percent in that category. Although the percentage of lending to borrowers of moderate-income increased in 2004, the number of loans granted within that category remained level.

By dollar volume in 2003, Lowell Co-operative Bank originated 6.0 percent of its residential mortgage lending to low-income borrowers which was on par with the 2003 aggregate data by dollar volume of 6.9 percent to low-income borrowers. Lending by dollar volume to moderate-income borrowers was 18.7 percent; while aggregate lending was 22.8 percent to those borrowers in 2003.

By dollar volume in 2004, Lowell Co-operative Bank originated 1.4 percent of its residential mortgage lending to low-income borrowers and the bank originated 20.6 percent by dollar volume to moderate-income borrowers.

Therefore, over the period reviewed Lowell Co-operative Bank's level of residential mortgage lending to borrowers of low and moderate-income is considered to be reasonable.

2. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that Lowell Co-operative Bank appears to have achieved a satisfactory penetration of its HMDA reportable lending to the low and moderate-income census tracts within its assessment area. Therefore, a rating of "Meets Standards for Satisfactory Performance", is assigned.

Residential Mortgage Lending

Based upon 2000 census data, Lowell Co-operative Bank's assessment area contained thirty-eight census tracts. Of those tracts, eight or 21.1 percent are low-income; fourteen or 36.8 percent are moderate-income; ten or 26.3 percent are middle-income; and six or 15.8 percent are upper-income.

As previously indicated, in 2004, the Office of Management and Budget redefined the MSAs statewide. As a result, some of the census tract income designations were affected, as was the case with Lowell Co-operative Bank's assessment area.

Therefore, based upon the redefined census data, Lowell Co-operative Bank's assessment area still contained thirty-eight census tracts. However, of those tracts, ten or 26.3 percent are low-income; fourteen or 36.8 percent are moderate-income; twelve or 31.6 percent are middle-income; and two or 5.3 percent are upper-income.

PERFORMANCE CRITERIA (CONTINUED)

2. GEOGRAPHIC DISTRIBUTION OF LOANS (CONTINUED)

An analysis of HMDA reportable lending extended within the census tracts contained within Lowell Co-operative Bank's assessment area was conducted. The following table presents the Bank's performance as well as the 2003 aggregate data (exclusive of Lowell Co-operative Bank) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per 2000 census data and the 2004 redefined census data) in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract									
Census Tracts	% Total Owner-Occupied Housing Units Per 2000 Census Data	2003 Aggregate Lending Data (% of #)	2003 Bank Data		% Total Owner-Occupied Housing Units Per Redefined 2004 Census Data	2004 Bank Data		Total	
			#	%		#	%	#	%
Low	6.4	5.1	5	13.5	4.0	2	7.1	7	9.0
Moderate	34.3	31.9	14	37.8	30.9	10	35.7	24	30.7
Middle	53.3	42.3	16	43.2	43.4	15	53.6	31	42.3
Upper	6.0	20.7	2	5.5	21.7	1	3.6	3	9.0
Total	100.0	100.0	37	100.0	100.0	28	100.0	65	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

As indicated, Lowell Co-operative Bank's percentage of lending to borrowers of low-income was well above that of the aggregate and the demographic percentages in 2003. Also, the Bank's percentage of lending to borrowers of moderate-income for 2003 was above both the aggregate and the demographic data.

As with the Bank's lending to borrowers of low and moderate-income in 2004, the number of loans to the low and moderate-income census tracts in Lowell Co-operative Bank's assessment area declined. For that period, the number of loans declined by 60.0 percent to the low-income census tracts and 28.6 percent to the moderate-income tracts.

By dollar volume in 2003, the Bank originated 15.4 percent of its HMDA reportable lending to the low-income census tracts and 35.8 percent to the moderate-income tracts. This was well above the 2003 aggregate data by dollar volume of 4.6 percent and 29.2 percent to the low and moderate-income census tracts, respectively.

By dollar volume in 2004, the Bank originated 6.6 percent of its HMDA reportable lending to the low-income census tracts and 28.1 percent to the moderate-income tracts. Again this reflects a decline over 2003 dollar volume. The Bank's lending to the low-income census tracts decreased by 61.3 percent, and its lending to the moderate tracts declined by 28.7 percent.

In conclusion, given the demographics of Lowell Co-operative Bank's low and moderate-income census tracts within its assessment area, and its comparison of lending to the aggregate data, its geographic distribution of its HMDA reportable lending to those tracts is considered to be at a satisfactory level.

PERFORMANCE CRITERIA (CONTINUED)

3. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the following data, Lowell Co-operative Bank has achieved a reasonable level of its HMDA reportable lending within its assessment area. Consequently, this criterion is rated "Meets Standards for Satisfactory Performance".

Residential Mortgage Lending

An analysis of HMDA reportable lending extended both inside and outside of Lowell Co-operative Bank's assessment area for the period under review was performed. The following table illustrates Lowell Co-operative Bank's level of HMDA reportable lending both inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2003	37	64.9	7,745	65.3	20	35.1	4,109	34.7	57	100.0	11,854	100.0
2004	28	68.3	7,040	65.2	13	31.7	3,763	34.8	41	100.0	10,803	100.0
Total	65	66.3	14,785	65.3	33	33.7	7,872	34.7	98	100.0	22,657	100.0

Source: HMDA LAR.

As indicated, Lowell Co-operative Bank granted a majority of the number and dollar volume of its residential mortgage lending to those communities within its assessment area. However, the Bank's overall HMDA reportable lending has decreased. For the period reviewed the overall number of loans decreased by 28.1 percent and the dollar volume declined by 8.9 percent. However, despite the decline in overall HMDA reportable lending, the majority of the Bank's lending remained within its assessment area which is considered reasonable.

4. LOAN TO DEPOSIT ANALYSIS

Lowell Co-operative Banks net loan to deposit ratio appears to be reasonable and, as such, is this criterion is rated "Meets Standards for Satisfactory Performance".

An analysis of Lowell Co-operative Bank's net loan to deposit ratios was performed. The calculation incorporated eight quarters of the Bank's net loan to deposit figures as reflected in its quarterly FDIC Call Reports. The quarters reviewed included the periods from March 2003 through December 2004. The Bank's net loan to deposit ratio, on average, was 69.8 percent. This ratio has fluctuated from a low of 62.2 percent in June 2004, to a high of 77.4 percent in March 2003.

PERFORMANCE CRITERIA (CONTINUED)

4. LOAN TO DEPOSIT ANALYSIS (CONTINUED)

The following illustrates Lowell Co-operative Bank's net loan to deposit trends.

Lowell Co-operative Bank's Loan to Deposit Ratios*	
Dates	Ratio (%)
March 31, 2003	77.4
June 30, 2003	73.7
September 30, 2003	70.4
December 31, 2003	73.9
March 31, 2004	65.9
June 30, 2004	62.2
September 30, 2004	64.3
December 31, 2004	70.7

* Source: FDIC Call Reports.

Over the period reflected in the table, Lowell Co-operative Bank's net loan portfolio increased by 6.5 percent while deposits grew by 16.4 percent. From December 31, 2003 through December 31, 2004, the Bank's loan portfolio increased by 7.8 percent, while deposits grew by 12.8 percent.

It should be noted that Lowell Co-operative Bank has historically sold many of its fixed rate mortgage originations in the secondary market. In 2003, Lowell Co-operative Bank sold 216 fixed rate mortgage originations totaling \$44,309,475. In 2004, the Bank sold 76 fixed rate mortgage loans totaling \$20,804,950 in the secondary market. As a result, because these loans are sold by the Bank into the secondary market, they are not reflected in the balances used to calculate the Bank's loan-to-deposit ratios, but are considered in the overall evaluation of this criterion.

A comparison of Lowell Co-operative Bank's loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of December 31, 2004, Lowell Co-operative Bank had total assets of \$106,343,000 and a net loan to deposit ratio of 70.7 percent. The institutions chosen for this comparison are similar in asset size and maintain an office in the City of Lowell.

COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*		
Institution	Total Assets \$(000)	Net Loan to Total Deposit Ratios (%)
Butler Bank – A Co-operative Bank	126,635	101.2
Lowell Co-operative Bank	106,343	70.7
Washington Savings Bank	152,464	46.7

*As of December 31, 2004.

Based on the aforementioned analysis, Lowell Co-operative Bank has achieved a reasonable loan to deposit level given its capacity to lend and the credit needs of its assessment area.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Lowell Co-operative Bank received no CRA related complaints in the period under review. The Bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division's Regulatory Bulletin 2.3-101.

As of March 2005, Lowell Co-operative Bank had 26 full-time and 8 part-time employees. Secondary languages spoken include Portuguese, Cambodian, Eastern Indian, and Spanish.

PERFORMANCE CRITERIA (CONTINUED)

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES (CONTINUED)

The Bank offers fixed/adjustable rate mortgage products. These include 15 and 30 year fixed rate mortgages as well as 3 year, and 5/1 adjustable rate mortgages. Maximum loan to value is 80 percent.

Lowell Co-operative Bank has a secondary loan review procedure. Upon the request that the loan be denied by the originating/underwriting officer, an additional lending officer reviews the file. In addition, the Bank's Security Committee reviews all denied loans.

The Bank is a member of the Massachusetts Bankers' Association and the American Community Bankers' Associations, which offer a variety of professional training seminars. In addition, annually lending staff viewed a video training program on fair lending. Also at that meeting, the Equal Credit Opportunity Act ("ECOA") and HMDA issues are reviewed.

A Fair Lending review was conducted at this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council ("FFIEC") Interagency Fair Lending Examination Procedures. Based on the sample reviewed, no evidence of disparate treatment of applicants was noted.

Minority Application Flow

For the period reviewed, Lowell Co-operative Bank received a total of 4 HMDA reportable mortgage applications from various minority groups, representing 6.0 percent of all applications received from within its assessment area in that period. Of those minority applications, all were originated.

The following table reflects the minority applications received by the Bank from within its assessment area. Also included in the table are the minority demographics of Lowell Co-operative Bank's assessment area based upon 2000 census data as well as 2003 aggregate data.

Distribution of Home Mortgage Loan Applications by Race								
Race	Racial Demographics Per 2000 Census Data	2003 Aggregate Lending Data (% of #)	2003 Bank Data		2004 Bank Data		Total	
			#	%	#	%	#	%
Native American	0.1	0.4	0	0.0	0	0.0	0	0.0
Asian	11.7	6.7	0	0.0	0	0.0	0	0.0
Black	2.5	2.2	1	2.6	0	0.0	1	1.5
Hispanic	9.3	3.2	1	2.6	1	3.6	2	3.0
Joint Race	0.0	0.0	0	0.0	1	3.6	1	1.5
Other	2.5	2.6	0	0.0	0	0.0	0	0.0
Total Minority	26.1	15.1	2	5.2	2	7.2	4	6.0
White	73.9	60.7	36	94.8	26	92.8	62	94.0
NA	0.0	24.2	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	38	100.0	28	100.0	66	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Given both the demographics as well as the competition from within its assessment area, Lowell Co-operative Bank's level of minority applications is considered reasonable.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (18 Hurd Street, Lowell, MA 01852)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.